

## Crowdfunding platform Profitus UAB

### Investment Risks

Investment in real property through a crowdfunding platform like all other investment opportunities is inextricably linked to various risks. The platform PROFITUS will make every effort to minimise the impact of the risks what implies that it will constantly monitor the changing environment subject to the identified possible risks and apply the envisaged methods of control of such risks.

Risk	Description of the risk	Risk prevention
Overall investment risk.	In the short term, the value of investments in real property may fluctuate depending on the general economic situation, prices of rent and sale of real property and variations in supply and demand.	It is recommended to invest in real property in the medium or long term so that the investor could avoid the short-term price fluctuation risk.
Lithuanian economic situation and tax system change risk.	Possible changes in the real property-related economic indicators, for example, depreciation of the real property, decrease in the income of the project owner, inflation, changes in the taxes imposed on the real property, changes in the lending policy of banks, amendments to the responsible borrowing.	The specialists of the Platform will constantly monitor and assess the economic indicators with a view to updating the operational plans of new projects according to the changing environment as soon as possible. The Platform will also adjust the assessment procedures, risk assessment methodology and the investment risk level algorithm taking into account the market development.
Risk of non-performance or improper performance of the obligations of the project owner.	Possible risk of non-performance of the obligations of the project owner (failure to pay the interest or improper settlement with the investors) due to unforeseen or more complex construction works than planned, due to changes in cash flows, due to arising of new obligations or creditors' claims etc.	Carrying out of assessments of the owners of the real property project and projects on the basis of a unique algorithm of the Platform meeting high requirements in the calculations of which a series of quantitative and qualitative variables is used. The assessments are carried out by specialists with extensive experience in the fields of real property and finances. Each project must be secured by pledge of the real property; in case of a failure to perform the obligations, default interest shall be charged; in case of a failure to perform the obligations, recovery from the pledged property shall be

		<p>carried out. To this end, the respective orders and procedures, i.e. the procedure for assessment of reliability of the project owners, the debt recovery procedure, the procedure for resolution of financing transactions and other procedures, have been described and are regularly updated.</p> <p>After assessment of the project, the project owner and the pledged property, one of the following four possible risk levels (three risk levels are presented to the investor in the information on the project) is assigned:</p> <p>A – low risk  B – medium risk  C – high risk  D – too high risk, not financed.</p>
Liquidity risk.	Loss risk which may arise due to low liquidity of the real property which determines sale of the property at a lower price.	In order to reduce the liquidity risk, the specialists of the Platform shall constantly monitor changes in the real property market and revise the assessment procedures, the risk assessment methodology and the investment risk level algorithm accordingly.
Decrease in the return on lease, decrease in occupation of premises and decline in the real property price.	Risk of decrease in lease income paid to the owner of the real property project in case of supply of leased premises higher than foreseen and in case of decrease in the demand higher than planned. In such case, the return on the investor's lease and the value of stream premises may decrease.	Constant analysis and assessment of the economic and other indicators affecting lease income, timely notification of the owner of the real property project and the investor of possible changes in the premises lease market. Operational revision of the assessment procedures, the risk assessment methodology and the investment risk degree algorithm.
Risk of exceeded time limits and higher costs incurred in development of the real property project than planned.	The term of the developed real property projects may last longer than planned before the start of the project and the costs may be higher than planned; thus, this may result in overdue payments or non-performance of the	The specialists of the Platform will assess the projects of the owners of the real property projects taking into account the analysis of the cash flows of the project and/or the project owner, assessment of the project shall be carried out only by the selected

	obligations by the owners of the real property projects.	property appraisal agencies, the ratio between the loan and the pledged property shall not be higher than 70 per cent.
Property damage or loss risk due to a fire or other natural forces.	Risk of damage to property or destruction of property due to natural calamities and disasters, intentional or accidental human activities.	All financed real property must be insured by the Platform which represents the investors' interests.
Market risk.	The risk to lose a part of the investments arises in case of a sudden and unexpected decrease in the value of the real property objects due to mass sales of real property objects in the market.	All pledged real property objects shall be funded on the basis of the adequate loan to collateral ratio (loan-to-value ratio (LTV)) which cannot be lower than 70 per cent.
Interest rate risk.	Type of risk where the risk of incurring losses or increased alternative costs arises due to sudden or unexpected change in the interest rate level in the market.	The specialists of the Platform will constantly monitor the interest rate level in the market and take into account possible fluctuations in the interest rate when assessing new projects. Taking into account the interest rate risk and a series of other important variables, the specialists of the platform prepare a pessimistic scenario of cash flows of the project and, if necessary, notify the investor of possible interest rate risk fluctuations in the information on the risks described in relation to each project.

#### Other information

Investment is related to the risk that you will not recover the invested funds; thus, you must understand that the investment decision is your responsibility and you must invest in a responsible manner. You choose the risk level and the project in which you will invest individually; therefore, PROFITUS as a technical intermediary shall not assume liability for possible losses incurred by you.

Before investing in the Platform, you should assess your investment experience, knowledge, financial assistance and familiarise with possible risks. To this end, when you log in to the Platform, you will find the Investor's questionnaire which we recommend to fill in and evaluate your knowledge.

Please note that the insurance provided for in the Republic of Lithuania Law on Insurance of Deposits and Liabilities to Investors is not applicable to crowdfunding.

Should you have any questions concerning risks or preventive measures, do not hesitate to contact the specialists of PROFITUS by e-mail [info@profitus.lt](mailto:info@profitus.lt).